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ABSTRACT

These two papers discuss communications policies and structures in France and in the United States. The first paper reports that efforts to develop new electronic communication systems in France are hindered by rivalry between two public monopolies and by governmental protection against foreign influence. The second paper assesses ownership of mass media in the United States, describing public policy and research on that subject. (RL)

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Group Session I

COMMUNICATIONS POLICIES AND STRUCTURES

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GROUP SESSION I

COMMUNICATIONS POLICIES AND STRUCTURES

New Electronic Communication Systems

The French Example

by Henri PIGEAT

In the field of new electronic communications systems France can hardly be considered a model. There exists no permanent ruling, no overall policy for the use of these new means of communication, whether by satellite, cable, videocassettes or teletext. It is true that over recent years experimental or operational techniques have been developed but they are hidbound by juridical structures drawn up for the old means of communication and which are today largely inadapted.

Important reforms were decided on in 1974 in the field of radio and television, but these were more for economic than technical reasons and therefore did nothing to solve the new problems.

There are two characteristic traits to this situation in France of inadapted juridical structures and ill-defined policy :

- The State is following a policy which is both dirigist and prudent in the development of new means of communication and a protectionist policy towards other countires.

- Developments are, however, forseeable in the light of a certain number of experiments, because of the pressure of necessity and as a result of reflexion on the part of private and public organisations.

I - The State is following a policy which is both dirigist and prudent in the development of new means of communication and a protectionist policy towards other countries

A) - The development of teledistribution remains hindered particularly by the rivalry between two public monopolies - the Postal Service (Mail and Telephone Service) and Radio and Television.

Instead of seeking each other's collaboration, each of these two monopolies is out to preserve its own prerogatives and remain in sole control of this new field of activity.

- The Mail and Telephone service, through its monopoly over distribution has over recent years developed high speed transmission systems in particular for the transmission of date for facsimile, telephotocopy and teletexts. Subscribers to these services are private firms, the Press and new agencies. The Mail and Telephone service built a cable television network in the city of Rennes but it has never been used to broadcast any programme.

- Since 1974 the monopoly for the transmission of radio and television has been held by a State body called TELEDIFFUSION de FRANCE. The programmation monopoly is shared between several autonomous radio and television firms all of which have a public character. These various firms have tried over recent years to prevent any significant development in distribution and have only takepart in experimental projects in this field in order to hinder them.

B) - In the field of teletexts, the Mail and Telephone service has developed, as part of its normal activity, several networks which enable the Press in particular to operate teleprinting. It is at present increasing possibilities for telephotocopying.

At the same time, TELEDIFFUSION DE FRANCE, on behalf of the Radio and Television, has perfected a text transmission system on screens called ANTHIOPE, similar to the British CEEFAX system but so far TELEDIFFUSION DE FRANCE

has theoretically no right to use this system commercially since it falls under the monopoly of the Mail and Telephone service.

C) - Satellites are extensively used by public subscribers - such as the Mail and Telephone service and Radio and Television - and by private subscribers (in particular Agence France-Presse). A European satellite launcher project, in which France is taking part, is underway. As of 1982 it will provide satellites for direct distribution and whose transmissions could be picked up by individuals.

In the whole realm of satellites, the operation is promoted by public authorities. Private constructors are restricted to the role of suppliers.

D) - Videodiscs and videocassettes on the other hand are developing in a different context since the State does not intervene and all initiatives are taken by private industry, in the same way as in the book publishing industry. Difficulties in this field are the same as in other countries and stem, essentially, from the absence of standardization norms.

With the exception of videodiscs and cassettes, all new means of communication are therefore controlled by the State. Yet the State has not yet drawn up an overall policy. On the contrary, each of the various competent administrations follows its own policy. Despite various projects, no formal reglementation has emerged. And political circles, both in Parliament and in the Governement seem in no hurry on this score.

The result is that these various factors keep everything at a standstill and in particular prevent any major private initiative.

On the international scene, the preoccupation is that of protectionism against foreign influence. The French position is in this not very original since it coincides with

that of most of the countries which took part in the Geneva Conference at the beginning of this year on the distribution of satellite frequencies.

II - Developments are, however, foreseeable in the light of a certain number of experiments, because of the pressure of necessity and as a result of reflexion on the part of private and public organisations.

A) - Teledistribution has really not got off the ground in France apart from a few exceptions limited in booth space and time. A project for seven experiments was approved by the Governement in 1973 but for financial and political reasons it resulted only in the building of very limited networks and no lasting distribution of programmes. Yet these projects were interesting in so far as they associated the State, local town councils and the press in the creation of the networks.

At the same time they laid down the principle of free but organised access to the networks. This idea does not seem to have been completely abandoned and could serve as the basic principle for future networks.

Certain networks of collective antenas have developed quite considerably and can permit the broadcasting of a very limited number of original programmes or services. But they have practically never been used for this purpose.

At the moment a decree is being prepared to determine the conditions in which the monopoly of the radio and television could be lifted for teledistribution programmes. But this draft text, which has not been completed, remains very restrictive since any derogation would concern only activities with a specific technical character and addressed to a clearly defined public. What is more, any derogation would be subject to approval by the television programming firms, TELEDIFFUSION DE FRANCE and possibly a consultative commission answering to the Haut Conseil de l'Audio-Visuel (The Audio-Visuel Higher Council). In fact it is a project for granting derogations from the monopoly of programming and not of

diffusion and which, after all, is placed under the control of the State firms concerned with television programmes.

Another experiment was carried out in 1976, that of videotransmission in public places - cinemas for example - of pictures intended for specific social or cultural groups. This experiment, easier to control that actual teledistribution, seems likely to develop more rapidly.

At all events, the Governement stated in 1976 that no priority could be given to the development of teledistribution networks and that it was not prepared to encourage it.

The question therefore is whether the results of the various experiments and the pressure of a certain number of needs will lead the French public authorities to revise their attitude, unless the change comes from contagion from neighbouring countries, in particular Germany, Belgium and Switzerland whose frontier networks could easily be extended into French territory.

B) - Experiments with teletexts are arousing growing interest among a number of potential users. Newspapers, news agencies, the stock exchange, sporting organisations and many private firms are awaiting it impatiently. The Mail and Telephone service has acquired an appreciable lead in this field but its tariffs are high. TELEDIFFUSION DE FRANCE is ready to commercialize a comparable and probably cheaper service - Anthiope. Economic competition and marked needs coul therefore favour an evolution in this field.

C) - As far as satellites are concerned no one in France, or in Europe for that matter, really contests the responsibility of the State. On the other hand, the arrival of foreign satellites capable of beaming programmes directly at France risks changing fundamentally the problem of satellites. And here again is another factor which could lead to appreciable changes.

The juridical situation in France is at present too inadapted and the attitude of the State too rigid for it to remain unchanged for much longer. But what changes and when they will take place is difficult to forecast. Italy provides the example of a country in which too ill adapted legislation was completely overwhelmed by old and new methods of electronic communication to such an extent that the situation is now verging on anarchy. In France, more solid administrative structures and a slightly different tradition give hope for a more harmonious evolution in which the role of the State and that of private initiative would be more balanced. This is a possibility, a hope, but by no means a certainty.

At all events the basic questions continue to be discussed in a number of organisations, particularly the Haut Conseil de l'Audio-Visuel :

- How to offer to a larger number of individuals or groups easy access to these means of communication and how to ensure equality in this access ?

- How to reconcile on the one hand the right of individuals to accede through these means of communication to an increasingly universal culture and on the other the right of national cultures to protect themselves against foreign interference

- How to avoid a disparity between the industrialised countries and the developing countries in the face of techniques which risks leading to cultural imperialism ?

- How to ensure freedom of initiative both in the creation of new means of communication and their use and how, at the same time, ensure respect for basic rules, a deontology even, without at the same time giving the State an excessive role which could prejudice liberties ?

No clear replies to these questions have yet emerged in France. But the pressure of the needs of the economy and of the society makes them more and more urgent as each day goes by.

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COMMUNICATIONS POLICIES AND STRUCTURES

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CONCENTRATION OF MASS MEDIA OWNERSHIP:

ASSESSING THE STATE OF CURRENT KNOWLEDGE

(Summary)

From a study prepared by the Rand Corporation under a grant from the National Science Foundation.

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SUMMARY

Public policy concerning mass media ownership in the United States is based on the First Amendment to the U.S. Constitution: "Congress shall make no law . . . abridging the freedom of speech, or of the press. . . ." Although these words are simple and direct, their interpretation in a complex society is not always straightforward. Congressional actions and court decisions in this century have permitted some government intervention in media ownership through antitrust actions, special legislation for "failing" newspapers, and direct regulation of the electronic media by the Federal Communications Commission (FCC).

Interventions to limit the concentration of media ownership are based on the fundamental objective of preserving and enlarging the marketplace of ideas and information available to the citizenry. And because information dissemination is a private economic activity in the United States--paid for by advertising and subscription revenues--maintaining economic competition among media sources is necessary to preserve competition among ideas. These two objectives are reflected in the approaches taken by the two principal federal agencies concerned with concentration of media ownership: the FCC and the Antitrust Division of the Department of Justice (Antitrust). Antitrust, because of its mandate under Section 7 of the Clayton Act, stresses the objective of preventing undue economic concentration. The FCC places greater reliance on diversifying the sources of news and opinion.

Concentration of ownership in the mass media takes three general forms:

1. Consolidation of local media outlets of the same type, such as the merger of two competing daily newspapers into a single monopoly daily;
2. Cross-ownership of two or more different media in the same market, such as the common ownership of a newspaper and a television station; and

3. Group or "chain" ownership of two or more media outlets in different communities.

Government interventions are designed to deal with each of these forms of concentration. Among local media outlets, the FCC "duopoly" rules prohibit ownership of two or more broadcast stations of the same type (AM, FM or TV) serving the same community. The Failing Newspaper Act permits competing newspapers to share common publishing and business facilities while maintaining separate news and editorial operations.

FCC rules concerning cross-ownership prohibit future acquisitions of radio-television combinations, and broadcast station-cable combinations in the same communities. The FCC also prohibits cable ownership by the television networks and telephone companies within their franchise areas. Although the FCC does not regulate newspapers directly, it is considering prohibitions against newspaper cross-ownership of television stations, radio stations, and cable systems.

At the national level, group ownership of broadcast stations is limited to seven AM, seven FM, and seven TV (five VHF) stations. The FCC is considering restrictions on the number and size of cable systems under common ownership. No special rules apply to newspaper group ownership, but newspapers as well as other media are subject to the antitrust laws.

The research literature confirms the existence of economies of scale in local newspaper publishing which underlie the continuing decline of local newspaper competition. There is some evidence that local monopoly newspapers tend to charge higher advertising rates than newspapers facing local competition. This suggests that the effects of increased market power (tending to increase rates) dominate any effects of local economies of scale (tending to decrease rates). Prior studies do not find any substantial differences in content among competitive and monopoly newspapers, although competing dailies may carry more local and "immediate reward" news.

Economies of scale have likely contributed to the growth of newspaper groups as well, although the subject is only lightly treated in

the literature. Group-owned newspapers controlled about two-thirds of daily U.S. newspaper circulation in 1972. The literature contains no evidence as to whether group-owned newspapers differ from non-group papers in advertising rates, or in the quantity and quality of content.

In terms of national concentration of television station ownership, the three television networks form the largest group station owners, ranked in terms of audience, revenue, and profit. Overall, group-owned stations (including the networks) account for nearly three-quarters of the average daily television audience in the United States. Network affiliation has been shown to significantly raise the value of a television station's time (which is one measure of the price of television advertising). It is possible that group station ownership also raises the value of a station's time sales, but the prior studies do not present conclusive evidence on this point. The evidence suggests that group ownership has no significant effect on television station program content.

Cable television shows the characteristics of a local natural monopoly. However, economies of scale decline with cable system size, both in terms of numbers of subscribers and geographic area, because of the high cost of cable distribution and the additional amplification needed. Nationally, the 50 largest multiple cable system owners control more than one-third of all cable systems and enroll two-thirds of total U.S. subscribers.

In the newspaper, television, and cable industries, the 50 largest group owners control a majority of industry output. Among the nearly 400 television station owners, the 50 largest groups control 74 percent of total daily audience. Among the more than 1,000 newspaper publishers, the 50 largest groups control 58 percent of all circulation. And among the more than 650 group owners of cable systems, the 50 largest account for 63 percent of all cable subscribers. Neither in the newspaper, television, or cable industries does a single owner outside the top 50 control as much as one-half of 1 percent of the industry. Using the "Gini coefficient" as a measure of industry

concentration, the cable industry exhibits the greatest concentration of ownership, followed by newspapers and then television stations.

Minority groups own a small percentage of the minority-oriented media, although black ownership of radio stations and cable television systems is increasing rapidly from a very small base. There have been virtually no studies of whether minority media owners present broadcast programming or newspaper content different from that presented by other owners of minority-oriented media outlets.

Most recent studies have focused on local cross-ownership of newspapers and television stations, because of the FCC's proposed rulemaking in this area. Studies have shown little, if any, joint operating economies between newspapers and broadcasting stations. Newspaper-broadcast station combinations have declined markedly since 1950 as a percentage of all local media outlets, due to the increased number of radio and television stations licensed in the past twenty years. The absolute number of such combinations is also decreasing, largely as a result of proposed FCC and antitrust actions against them. The extent of local media concentration due to cross-ownership depends critically on definitions of the relevant geographic market and types of media competitors.

Research has shown that newspaper-television station cross-ownership does not significantly affect the price of television time or total revenue among all stations in the combination's market. However, the major studies on the effects of cross-ownership on television station hourly rates yield different results, because they use different models based on different assumptions about advertisers' expectations. The effects of cross-ownership on local advertising prices of individual broadcast stations and newspapers--the question most pertinent to the cross-ownership policy debate--remains unresolved on the basis of presently available evidence.

Prior research has found no substantial differences in programming content between cross-owned television stations and other stations. Two studies found that the knowledge of current events and use of the media were lower in one city with a media monopoly than in similar

cities with competitive media sources. However, little evidence has been presented that would extend these results beyond the single city investigated.

A body of court cases, filings in FCC rule-makings and comparative hearings, and news accounts document real and alleged abuses by media owners in specific situations. This evidence shows that some media owners (both those with concentrated and with unconcentrated holdings) have presented one-sided versions of the news, violated the antitrust laws, or otherwise engaged in anticompetitive practices. Such evidence plays an important role in adversary proceedings. It does not, however, show patterns or differences in behavior among classes of media owners.

In sum, most questions about the effects of media ownership concentration on media performance must be answered with the well-known Scotch verdict: "Not proved." Many of the prior studies seem flawed by inadequate data or by methodological problems such as a failure to control for other important variables. The size of a market, its demographic characteristics, and the number of local competitors generally seem more important than ownership in influencing media economic performance and content.

Determining adequate measures of media performance remains a fundamental problem for serious research. Although the First Amendment would preclude government concern with media content per se, the FCC's licensing policies and its rules regarding ownership require some criteria for broadcast station performance. Among the many criteria suggested in the literature, assessing the ownership influences (if any) on informational and local programming as well as on programming expenditures appears the most relevant to policymaking. However, additional research should recognize (and be forewarned) that it is often tempting to measure what is easily measurable rather than what is important. Because of our general lack of knowledge of the ways in which media ownership influences media performance, some more fundamental studies of the economics of news gathering and presentation, and the determinants of advertising price and quantity, may yield more fruitful research results than additional attempts to correlate ownership with presently measurable economic or content variables.